



# Australian Bureau of Statistics

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### Feature Article - Foreign Ownership of Equity

#### INTRODUCTION

This article updates the analysis of foreign ownership of Australian equity presented in the September quarter 2002 issue of Balance of Payments and International Investment Position, Australia (cat. no. 5302.0). The data presented here are sourced from:

- for rest of world holdings of Australian equity, Table 33 of this publication and more detailed data underlying the published aggregates; and
- for total and sectoral aggregates of Australian equity on issue, Tables 40 and 41 of the June quarter 2003 issue of Australian National Accounts: Financial Accounts (cat. no. 5232.0).

A brief explanation of how the financial accounts can be used to derive estimates of foreign ownership of equity in Australian enterprise groups is provided below. For a more detailed explanation, see the article **Foreign Ownership of Equity in Australian Enterprise Groups** published in the June quarter 1992 issue of International Investment Position, Australia (cat. no. 5306.0) which is also available on this website (select Feature Articles; Economy/Foreign Trade; Finance). That article also explains the relationship between these measures and measures derived from earlier foreign participation studies.

The data cover financial instruments classified as equity, which are mainly listed and unlisted shares and units in trusts. Instruments convertible to equity, such as convertible notes, are not treated as equity until converted. Ownership of property by non-residents and ownership of Australian branches of foreign companies are also treated as equity for the purposes of these statistics. The data for amounts on issue for each sub-sector are consolidated by excluding amounts held by related companies in the same sub-sector. Market valuations are used where possible; for the cases where market values are not available, net asset value (total assets less non-equity liabilities and less the paid up value of non-voting shares) has been used as a proxy. A non-resident is defined as any individual, enterprise or other organisation ordinarily domiciled in a country other than Australia. For further definitions of the concepts and methods employed in compiling the source data see the publications Balance of Payments and International Investment Position, Australia: Concepts, Sources and Methods (cat. no. 5331.0) and Australian National Accounts: Financial Accounts (cat. no. 5232.0) which are also available on this website (select Statistics and then Publications).

By expressing the value of equity issued by a particular sector and held by the rest of world (non-residents) as a percentage of the total value of all equity issued by that sector, it is possible to derive an estimate of the percentage of foreign ownership in that sector. For example, at 30 June 2003, equity held by 'rest of world' in Australian banks was \$46.5b, or 26% of the total equity of \$181.1b issued by Australian banks. Likewise, an estimate of total foreign ownership of equity in all Australian enterprises can be derived by summing the equity held by non-residents across all sectors and dividing this by the total value of equity issued by all sectors. Estimates of foreign

ownership by sector are shown in Table F1.

## F1 OWNERSHIP OF EQUITY IN AUSTRALIAN ENTERPRISE GROUPS(a), Value of Equity Outstanding at End of Period

			Sep Qtr 2001	Dec Qtr 2001	Mar Qtr 2002	Jun Qtr 2002	Sep Qtr 2002	Dec Qtr 2002	Mar Qtr 2003	Jun Qtr 2003
	1999-2000	2000-2001								
<b>All sectors</b>										
Amount issued (\$b)	1118.3	1 217.4	1127.6	1228.9	1234.7	1187.2	1137.5	1156.2	1136.3	1183.4
Amount held by rest of world (\$b)	338.1	355.4	328.9	362.6	361.4	351.8	338.0	350.9	343.2	358.0
Percentage of foreign ownership (%)	30	29	29	30	29	30	30	30	30	30
<b>Sub-sectors</b>										
Non-Financial Corporations(b)										
Amount issued(c) (\$b)	791.8	802.8	749.7	808.4	806.0	762.2	731.3	747.4	743.6	755.5
Amount held by rest of world (\$b)	271.1	265.4	247.1	270.5	266.8	257.9	250.8	269.5	262.8	273.8
Percentage of foreign ownership (%)	34	33	33	33	33	34	34	36	35	36
Banks										
Amount issued(c) (\$b)	138.5	178.1	152.0	178.4	183.5	189.7	173.5	166.0	163.5	181.1
Amount held by rest of world (\$b)	32.1	48.5	43.7	50.3	52.2	53.4	47.8	42.5	43.7	46.5
Percentage of foreign ownership (%)	23	27	29	28	28	28	28	26	27	26
Non-bank deposit taking institutions										
Amount issued(c) (\$b)	15.7	20.3	21.8	23.8	24.1	25.2	27.0	29.0	30.0	31.9
Amount held by rest of world (\$b)	4.1	4.2	4.4	4.5	4.5	4.5	4.8	5.1	5.3	5.4
Percentage of foreign ownership (%)	26	21	20	19	19	18	18	18	18	17
Other financial sub-sectors(c)										
Amount issued(c) (\$b)	161.8	203.9	193.1	207.9	210.7	198.7	194.6	202.4	187.6	203.1
Amount held by rest of world (\$b)	30.8	37.3	33.7	37.2	37.9	36.0	34.5	33.8	31.4	32.2
Percentage of foreign ownership (%)	19	18	17	18	18	18	18	17	17	16
Central Bank										
Amount issued(d)(e) (\$b)	10.4	12.3	10.9	10.5	10.4	11.4	11.0	11.5	11.5	11.7

(a) Equity includes units in trusts.

(b) Includes private non-financial corporations; and national, state and local public non-financial corporations.

(c) Includes life and other insurance corporations; central borrowing authorities; and other financial institutions.

(d) Net asset values.

(e) There is no foreign ownership in this sub-sector.

Source: Tables 40 and 41 in Australian National Accounts: Financial Accounts (Cat. no. 5232.0), June quarter 2003, and Table 33 in this publication.

## ANALYSIS OF RESULTS

Table F1 shows that the value of equity on issue by Australian enterprise groups at 30 June 2003 stood at \$1,183.4b. Of this total, 64% related to shares or similar equity interests issued by non-financial corporations. Other financial sub-sectors, including life and other insurance corporations and central borrowing authorities accounted for 17%; banks accounted for a further 15% of total equity issued; while lesser amounts were issued by 'non-bank deposit taking institutions' (3%);

and the Central Bank (1%).

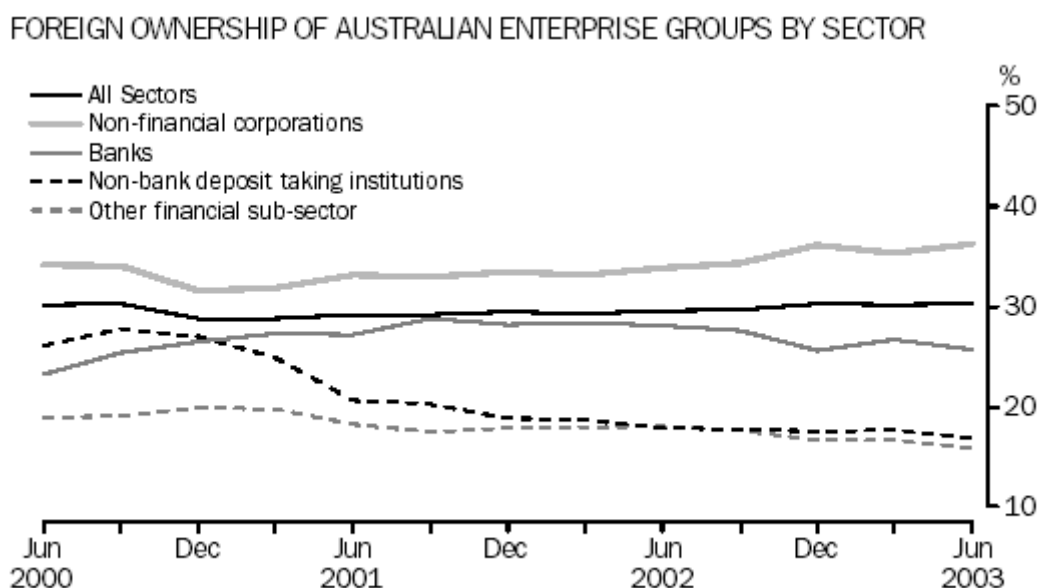
Of the total equity on issue at 30 June 2003, non-residents held equity valued at \$358.0b (30%), while residents held \$825.4b (70%).

The proportion of equity held by non-residents remained constant at around 30% from June 2002 to June 2003 and varied by only 1 percentage point from 30 September 1999. The total value of equity on issue decreased 0.3% from \$1,187.2b to \$1,183.4b from 30 June 2002 to 30 June 2003, but increased 6% in the three years from 30 June 2000.

At 30 June 2003 non-residents held 36% of the equity in non-financial corporations. This proportion varied between 32% and 36% from 30 June 2000. The value of equity on issue by non-financial corporations at 30 June 2003 decreased 1% on the previous year and 5% on 30 June 2000.

While the value of equity on issue by banks increased 31% to \$181.1b over the period 30 June 2000 to 30 June 2003, it decreased 5% in the 12 months from 30 June 2002. The proportion held by non-residents fell by 2 percentage points from 30 June 2002, but increased from 23% to 26% from 30 June 2000.

The value of equity on issue by 'other' financial sub-sectors increased 26% to \$203.1b, over the three year period 30 June 2000 to 30 June 2003. Foreign ownership of this sector's equity decreased from 19% at 30 June 2000 to 16% at 30 June 2003.



## COUNTRY ANALYSIS

As shown in Table F2, the value of holdings of equity in Australian enterprise groups by non-residents can be further disaggregated according to the country of residence of the immediate holder. This disaggregation has been done as at the end of each financial year.

F2 OWNERSHIP OF EQUITY IN AUSTRALIAN ENTERPRISE GROUPS BY NON-RESIDENTS(a)

	30 June	2001	30 June	2002	30 June	2003
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**Geographical location of immediate investor  
by**

<b>Sector/Country/Country groups</b>	<b>\$b</b>	<b>%</b>	<b>\$b</b>	<b>%</b>	<b>\$b</b>	<b>%</b>
<b>All sectors</b>	355.4	100	351.8	100	358.0	100
United Kingdom	125.5	35	115.3	33	114.1	32
United States of America	114.2	32	103.7	29	107.3	30
Japan	16.4	5	19.3	5	18.8	5
Other countries(b)	99.3	28	113.5	32	117.8	33
OECD	302.7	85	291.0	83	296.7	83
APEC	162.1	46	162.8	46	168.3	47
EU	148.9	42	141.5	40	142.8	40
ASEAN	8.6	2	16.1	5	17.6	5
<b>Sub-sectors(c)</b>						
Non-Financial Corporations(d)	265.4	100	257.9	100	273.8	100
United Kingdom	93.7	35	81.4	32	86.8	32
United States of America	87.9	33	76.0	29	81.9	30
Japan	13.3	5	16.4	6	16.1	6
Other countries(b)	70.5	27	84.1	33	89.0	33
Banks	48.5	100	53.4	100	46.5	100
United Kingdom	24.9	51	27.5	51	23.2	50
United States of America	14.4	30	16.0	30	14.5	31
Japan	1.1	2	1.0	2	0.9	2
Other countries(b)	8.1	17	8.9	17	7.9	17
Non-bank deposit taking institutions	4.2	100	4.5	100	5.4	100
United Kingdom	0.1	2	0.1	2	0.1	2
United States of America	1.4	33	1.5	33	2.2	41
Japan	0.9	21	0.9	20	1.0	19
Other countries(b)	1.8	43	2.0	44	2.2	41
Other financial sub-sectors(e)	37.3	100	36.0	100	32.2	100
United Kingdom	6.8	18	6.4	18	4.0	12
United States of America	10.4	28	10.2	28	8.7	27
Japan	1.1	3	0.9	3	0.9	3
Other countries(b)	19.0	51	18.5	51	18.6	58

(a) Total equity held by non-residents, includes direct and portfolio equity investment.

(b) Includes unspecified and all other countries.

(c) Data for Central Bank are not shown, as there is no foreign ownership in this sub-sector.

(d) Includes private non-financial corporations, and national, state and local public non-financial corporations.

(e) Includes life and other insurance corporations; central borrowing authorities; and other financial institutions.

At 30 June 2003, UK residents owned \$114.1b (32%) of the foreign-owned equity in Australian enterprise groups, accounting for 10% of total equity on issue. At the same time, USA residents owned \$107.3b (30%) of the foreign equity holdings in Australian enterprise groups, while residents of Japan owned a further \$18.8b (5%). The USA and Japanese holdings accounted for 9% and 2%, respectively, of total equity on issue.

UK residents' share of ownership of foreign-owned equity in Australian enterprise groups fell steadily from 35% in 2001 to 32% in 2003. US residents' share of ownership fell from 32% in 2001 to 30% in 2003. Japanese residents' share of ownership was steady over this period.

UK residents owned 32% of the total non-resident investment in Australian non-financial corporations' equity on issue at 30 June 2003, while residents of the USA and Japan owned 30% and 6% respectively. The UK and USA holdings each accounted for 11% of the total equity of Australian non-financial corporations on issue, while Japanese holdings accounted for 2%.

Between 30 June 2002 and 30 June 2003, UK residents' share of ownership of total non-resident equity in Australian non-financial corporations remained constant at 32%, down from 35% in 2001. US residents' share of ownership fell from 33% in 2001 to 30% in 2003.

USA, UK and Japan residents generally have the highest participation rates in the other sectors, although their respective contributions vary significantly across these sectors. For example, at 30 June 2003, residents of the UK owned 50% of the total non-resident equity investment in Australian banks, but only 2% of the non-resident equity in non-bank deposit taking institutions. While residents of Japan owned 19% of the total non-resident equity investment in non-bank deposit taking institutions at 30 June 2003, their participation rates in the remaining sectors were relatively small when compared with their UK and US counterparts.

Residents of APEC economies accounted for \$168.3b (47%) of foreign-owned equity in Australian enterprise groups at 30 June 2003, while residents of EU countries accounted for \$142.8b (40%). The holdings of residents of APEC and EU countries accounted for 14% and 12% respectively of the total equity on issue. The holdings of residents of OECD member countries amounted to \$296.7b, which accounted for 83% of total foreign-owned equity and 25% of total equity on issue.

## SIGNIFICANT FOREIGN INFLUENCE

The concept of direct investment is broadly one of capital invested in an enterprise by an investor having a significant influence, either actually or potentially exercised, over the key policies of the enterprise (called a direct investment enterprise). Ownership of 10% or more of the voting shares (or an equivalent equity interest) is regarded as indicative of significant influence by an investor.

Three enterprise group dissections are shown in Table F3 and these can be associated with three different levels of foreign influence: foreign control; significant foreign influence but not necessarily foreign control; and other foreign influence. First, direct investment enterprise groups over 50% owned by their direct foreign investors are groups in which there is significant foreign influence that is clearly sufficient to allow foreign control. Second, direct investment enterprise groups 10% to 50% owned by their direct foreign investors are groups in which there is significant foreign influence but not necessarily sufficient to allow foreign control. Third, other enterprise groups are groups in which there are foreign equity interests that are below the threshold used in defining significant foreign influence, as no foreign investor holds 10% or more of the equity (as constitutes portfolio investments). Analysis of data on equity issued to non-residents by direct investment enterprise groups in Australia as a proportion of total equity on issue provides an indication of the amount of influence non-residents have as a result of their equity holdings.

**F3 FOREIGN EQUITY HOLDINGS, by Degree of Foreign Influence and Type of Equity(a)-at 30 June 2003**

Equity held by rest of world	DIRECT INVESTMENT ENTERPRISE GROUPS						OTHER ENTERPRISE GROUPS	ALL ENTERPRISE GROUPS			
	Over 50% owned by direct foreign investors(s)			10-50% owned by direct foreign investors(s)				Total	Direct	Portfolio	Total
	Direct	Portfolio	Total	Direct	Portfolio	Total					

institutions										
Other financial sub-sectors(d)	8.2	-	8.2	2.1	0.3	2.4	21.6	10.3	21.9	32.2

	PERCENTAGE									
<b>All sectors</b>										
Proportion of total equity on issue	15	-	15	1	-	1	14	16	14	30
Proportion of total equity held by rest of world	51	-	51	3	-	3	46	54	46	100

(a) The type of equity dissection in the table shows foreign direct investment equity holdings separately from foreign portfolio equity holdings. Direct investment equity holdings refers to holdings of direct investors; that is, investors who own 10% or more of the voting shares of an enterprise. Portfolio investment equity holdings refers to holdings of all other investors, covering their holdings in both direct investment enterprise groups and other enterprise groups.

(b) Data for Central Bank are not shown, as there is no foreign ownership in this sub-sector.

(c) Includes private non-financial corporations; and national, state and local public non-financial corporations.

(d) Includes life and other insurance corporations; central borrowing authorities; and other financial institutions.

As shown in Table F3, at 30 June 2003, \$192.3b (54%) of the total foreign equity holdings of \$358.0b was in the form of direct investment, with the remaining \$165.7b (46%) being in the form of portfolio investment. These amounts represented 16% and 14% respectively of the total equity on issue. These proportions vary significantly across sectors.

Of the \$192.3b direct investment, \$182.3b (95%) was in enterprise groups where a direct foreign investor held more than 50% of the shares. The direct investment equity associated with majority direct foreign ownership accounted for 51% of all foreign equity and 15% of all equity issued in Australia.

## FOR MORE INFORMATION

The data used in this analysis are available from the International Investment Section of the Australian Bureau of Statistics. For more information about the type of foreign participation analysis that can be undertaken or the availability of related statistics, contact Kevin Yeadon on Canberra 02 6252 6255 or email [k.yeadon@abs.gov.au](mailto:k.yeadon@abs.gov.au).

## BACK TO MAIN FEATURES

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